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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Ad Hoc Working Group on the Interrelationship between Investment and Technology Transfer on its third session

held at the Palais des Nations, Geneva,
from 21 to 25 March 1994

UNITED NATIONS

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INTRODUCTION

1. The Ad Hoc Working Group on the Interrelationship between Investment and Technology Transfer held its third session at the Palais des Nations, Geneva, from 21 to 25 March 1994.

2. In the course of its session, the Ad Hoc Working Group held three plenary and six informal meetings.

Introductory statement

3. The Deputy to the Secretary-General of UNCTAD recalled that the Working Group had, since its inception, considered a wide range of specific issues related to investment, technology transfer, and technological capability-building. It was apparent from the country case studies reviewed by the Group that all countries drew on imported technologies to strengthen their technological capabilities. Foreign Direct Investment (FDI), capital goods imports and, to a lesser extent, licensing were the main channels through which technologies were transferred in both developed and developing countries. The exchange of experiences also showed the growing diversification of investment and technology flows encompassing joint ventures, management contracts, subcontracting and franchising. These ventures were increasingly shaping international business in various sectors. The result was a growing interdependence among firms and countries, leading to further opportunities for international cooperation. National efforts were required to strengthen the absorptive capacity for acquiring imported technology and diffusing it within the country's economy. Concerning the role of domestic research and development (R & D) in technological innovation, he emphasized that efficient utilization and application of R & D results would require, inter alia, stronger links between research and development institutions and the productive sector. This often required deliberate efforts to forge strategic partnerships within and across countries, particularly the least developed countries, when financial and skill constraints inhibited the acquisition and development of technology.

Chapter I

INTERRELATIONSHIP BETWEEN INVESTMENT AND TECHNOLOGY TRANSFER:
(a) INVESTMENT FLOWS, TRANSFER OF TECHNOLOGY AND COMPETITIVENESS;
(b) TECHNOLOGY CAPACITY-BUILDING IN DEVELOPING COUNTRIES, PARTICULARLY THE LEAST DEVELOPED COUNTRIES, AND IN COUNTRIES UNDERGOING THE PROCESS OF TRANSITION TO MARKET ECONOMY; (c) TRANSFER AND DEVELOPMENT OF ENVIRONMENTALLY SOUND TECHNOLOGIES

(Agenda item 2)

4. For its consideration of this item, the Ad Hoc Working Group had before it the following documentation:

"Laws and regulations dealing with transfer and development of technology: an overview", Report by the UNCTAD secretariat (TD/B/WG.5/10);

"Review of the work of the United Nations system and selected organizations dealing with investment-related technology issues", Note by the UNCTAD secretariat (TD/B/WG.5/6 and Amend.1);

"Fostering technological dynamism: evolution of thought on technology capacity-building and competitiveness", Note by the UNCTAD secretariat (TD/B/WG.5/7 and Amend.1);

Report of the Workshop on the Transfer and Development of Environmentally Sound Technologies (Oslo, Norway, 13-15 October 1993) (available in English only) (UNCTAD/ITD/TEC/13).

5. At its 7th (opening) plenary meeting on 21 March 1994, the Ad Hoc Working Group decided to discuss agenda item 2 in informal meetings.

Chapter II

ADOPTION OF THE FINAL REPORT OF THE WORKING GROUP TO THE TRADE AND DEVELOPMENT BOARD

(Agenda item 4)

6. For its consideration of this item, the Ad Hoc Working Group had before it the following documentation:

"Draft Final Report of the Working Group" (TD/B/WG.5/L.6 and Amend.1, Add.1, Add.2 and TD/B/WG.5/L.7);

"Preliminary draft contributed by the United States of America for consideration at the third session" (TD/B/WG.5/CRP.1/Rev.1).

7. The representative of the United States of America recalled that at the second session of the Ad Hoc Working Group the preliminary draft text prepared by his delegation summarizing the work conducted under the UNCTAD VIII mandate had been widely discussed, and that other delegations had been invited to comment and make further suggestions. As a consequence, several delegations had proposed further changes to the draft text. These were being circulated in TD/B/WG.5/CRP.1/Rev.1/Corr.1.

8. The representative of Chile proposed five points to be included in the recommendations of the Working Group: first, to establish fiscal incentives for education and technological training, particularly with respect to small and medium-sized enterprises, encouraging links between academic institutions and companies in support of human resources development efforts; secondly, to recommend to Governments in developing countries that they formally express their interest in setting up with developed countries bilateral institutions for technological innovation; thirdly, to propose that UNCTAD establish a "world dialogue" in the first half of 1995 between Governments, enterprises, and the academic sector where common measures would be initiated that would guide cooperation on technological innovation and promote interchanges between entrepreneurs, taking into account the contribution of the Ad Hoc Working Group on the Interrelationship between Investment and Technology Transfer; fourthly, to recommend to the Trade and Development Board the establishment of a special working group on the environment, trade and development, whose work would be supported by both the Division for Science and Technology for Development (DSTD) and the Division for International Trade; and fifthly, to recommend to the Trade and Development Board the study of the links between the GATT Agreement on TRIPs*, technological innovation and investment.

9. The representative of Argentina supported the proposal of Chile to set up a working group to deal with technological development and environment that could be institutionalized as a result of the mid-term review. Furthermore,

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* Trade-related aspects of Intellectual Property Rights.

he mentioned that UNCTAD could play a role in the evaluation of the Uruguay Round accord, and the Division for Science and Technology for Development should study the links between technology and trade resulting from the Round.

A. Action by the Ad Hoc Working Group on agenda item 4 (the Final Report)

10. At the closing plenary meeting, on 25 March 1994, the Ad Hoc Working Group adopted its draft Final Report to the Trade and Development Board (contained for technical reasons in TD/B/WG.5/L.6 and Amend.1, Add.1, Add.2 and TD/B/WG.5/L.7) and authorized the Rapporteur to complete the final text as appropriate. In transmitting the Final Report to the Trade and Development Board, the Ad Hoc Working Group decided that the two parts would be interchanged so that the part containing the conclusions and recommendations (TD/B/WG.5/L.7) would be placed first.

B. Closing statements

11. The representative of Chile expressed particular satisfaction over the way in which the Ad Hoc Working Group had taken up the idea put forward by his country namely, to organize a world dialogue among governments, enterprises and the academic community on technical cooperation. His delegation was especially gratified by the support shown. This was the first time that an international body would be giving specific attention to this subject and there was no doubt that the least developed countries and developing countries would derive benefit. The emerging cooperation shown in the Ad Hoc Working Group between developing countries, developed countries and countries in transition was most appreciated as it demonstrated genuine resolve to deal with the issues. All delegations deserved praise for supporting this approach. In closing he said that his delegation wished to pay special tribute to the Group's eminent Chairman who had managed to pull all the threads together and arrive at such a well-balanced outcome.

12. The representative of the United States of America declared support for many of the points raised by the representative of Chile and expressed satisfaction that the Ad Hoc Working Group in its deliberations had given life to the concepts and expectations of the Conference at Cartagena. The Working Group had done valuable work in an atmosphere that allowed countries from around the world to share a wide variety of views and engage in fuller dialogue than in the past. This enabled countries to understand one another better. Those countries which had prepared case studies had made vital contributions which had greatly enriched the conclusions and recommendations. Some of the main points made in theses studies merited wide dissemination. The spirit of Cartegena was evident in the Working Group's recommendations to the Trade and Development Board which, it was hoped, would consider them in that light. The session had been important also in terms of recognition for market mechanisms in technology transfer and for the opportunity that it provided for realistic dialogue between entrepreneurs, governments and academics. There had been general acceptance by delegations that the concept of a code of conduct for the transfer of technology was no longer a viable one for discussion. Likewise, there was clear recognition for treating intellectual property rights in the context of GATT/WTO. Progress on resolving such issues showed the great potential of UNCTAD as a forum. While the Ad Hoc Working Group had successfully carried out its mandate, delegations might at this time wish to reflect on the possibilities for UNCTAD to play significant new roles. UNCTAD could do useful work in engendering a broader and deeper dialogue among countries on questions related to trade that were not being treated in any other forum despite their interest to all countries and developing countries in particular. The cooperation shown by participants in the Working Group had been outstanding. Such cooperation would have been unimaginable 10 years ago. A remarkable change in attitudes to world affairs was evident as the world was moving towards a time when there would be less conflict and more cooperation. The United States delegation felt that it could speak for all participants in saying that this change was most welcome.

13. The spokesman for the Group of 77 (Sri Lanka) expressed satisfaction with the results achieved by the Ad Hoc Working Group and reiterated the view of the delegation of Chile in attributing the success of this series of meetings in large measure to the outstanding efforts of one of the most eminent

chairmen in recent years. He shared the sentiment voiced by the delegation of the United States of America regarding the conduct of the work in the Group as it certainly reflected the Cartagena spirit. All delegations had cooperated on building consensus; this had made the very successful outcome possible.

14. The representative of the Russian Federation referred to the active participation manifested within the Ad Hoc Working Group and the vastly increasing cooperation evident in the work of UNCTAD. As one result, the Final Report of the Group was well-balanced and in his opinion reflected the views of all the countries and groups of countries participating. As already noted by previous speakers, the Working Group had achieved an extremely successful outcome leading in a clear and positive direction. This would serve as an example for other UNCTAD efforts. The mandate set by the Cartagena Commitment and by the Trade and Development Board was reflected in the fact that the resolutions which the Group had agreed upon were indeed action-oriented. The attachment to this principle was particularly important in terms of support for the least developed countries. He then urged all delegations to give consideration to the machinery for cooperation between the GATT World Trade Organization and UNCTAD, as the decisions taken would define the working arrangements for many years to come. Undoubtedly, there would be opportunities to discuss this subject at forthcoming sessions of intergovernmental bodies. His delegation was happy to hear the United States delegation refer to the new atmosphere of cooperation in international affairs. In large measure, he believed that special thanks were due to the Chairman for the skilful way in which he had guided the work of the Group. The high-quality documents prepared by the secretariat had greatly facilitated the work.

15. The representative of the United Republic of Tanzania said that the recommendation in favour of the least developed countries demonstrated an awareness of the immense problems facing these countries. In the Ad Hoc Working Group, cooperation on finding solutions to the needs of this group of countries had gone beyond the traditional support from Group of 77 countries, and solidarity with Chile was especially important in this regard, to embrace the demonstrated interest of countries such as the United States. This new spirit of partnership created a very positive response. It was clear that the results achieved in the Working Group reflected this spirit. The efforts of the European Union, the Scandinavian countries, Switzerland, China and Japan also deserved special mention in this regard. The framework for cooperation which had been established by the Working Group now had to be followed up by mobilizing resources for implementing the recommendations so that by the time of the mid-term review there would be indications of concrete support for a project that was viable and under way.

16. The representative of Bangladesh referred to the successful conclusion of the work and said that the Final Report was in his view quite balanced and that it had been the result of a considerable cooperative effort. After thanking the members of the Bureau and the secretariat for their efforts, he expressed particular gratitude to the delegation of the United States for its demonstrated spirit of cooperation.

17. The delegation of China reiterated the comments of previous speakers in praise of the outstanding contribution of the Chairman. He added that the

Group could take pride in having drafted an excellent Final Report. In carrying out the work, the efficiency of the Bureau was beyond dispute; the timely provision of documents had also been of great help; likewise the members of the secretariat who had worked exceedingly hard deserved special mention. The delegations which had shown cooperation and understanding during the negotiations had made a significant contribution, very much in the spirit of Cartagena. He noted with pleasure that, although the Ad Hoc Working Group had fulfilled its mandate, work would continue following the recommendations made in the Final Report which would be the start of a new stage.

18. The spokesman for Group B (Portugal) congratulated the Chairman for his outstanding leadership and thanked the Bureau, the secretariat and all the delegations which had contributed to the successful outcome.

19. The spokesman for the African Group (Tunisia) praised the remarkable results achieved within the Group which had made the sustained effort most worthwhile. The secretariat's logistical support was also highly appreciated.

20. The representative of Argentina expressed appreciation for the Chairman's indefatigable efforts to achieve valuable results. Like other delegations, he also wished to thank Chile for its particular contribution. As the documentation prepared by the secretariat had formed the basis of the work, this effort should also be given due recognition.

21. The spokesman for the Latin American Group (Cuba) commended the Chairman for his far-sighted and dynamic leadership which had inspired all delegations present to work together to achieve concrete, practical results. Speaking for Cuba, he added that his country was prepared to participate in an atmosphere of cooperation among developing countries, and especially the least developed countries of the region, along with the developed and more advanced developing countries, in technical cooperation programmes aimed at creating, acquiring and adapting environmentally sound technologies.

22. The representative of Venezuela endorsed the statement made by the delegation of Chile and reiterated by subsequent speakers: the stress which Chile had placed on the importance of a worldwide dialogue on technical cooperation deserved full support. In reference to the work accomplished by the Group, he felt that the logistics support provided by the UNCTAD secretariat was praiseworthy and had undoubtedly contributed a great deal.

23. The Chairman said that he shared wholeheartedly the enthusiasm voiced for the work done. All delegations had contributed to the results achieved. He felt especially grateful to the members of the Bureau who had given their devoted attention to the work. He was certain that the Group had been able to do so much at such a fast pace because everyone involved had worked so well together.

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

24. The third session of the Ad Hoc Working Group was opened on 21 March 1994 by the Chairman of the Group.

B. Bureau

25. The Bureau of the Ad Hoc Working Group at the Group's third session was as elected at its first session, namely:

Chairman:	Mr. Masafumi Nagao	(Japan)
Vice-Chairman:	Mr. Paul Pennell Buck	(United Kingdom of Great Britain and Northern Ireland)
	Mr. Syed Jamaluddin	(Bangladesh)
	Mr. Euvgeni Manakine	(Russian Federation)
	Mr. Msuya Mangachi	(United Republic of Tanzania)
	Mr. Soenaryo Danusaputro	(Indonesia)
Rapporteur:	Mr. Carlos Correa	(Argentina)

C. Adoption of the agenda and organization of work

(Agenda item 1)

26. At its 7th (opening) plenary meeting, the Ad Hoc Working Group adopted its provisional agenda for the third session (TD/B/WG.5/9), as follows:

1. Adoption of the agenda and organization of work

2. Interrelationship between investment and technology transfer:

   (a) Investment flows, transfer of technology and competitiveness;

   (b) Technological capacity-building in developing countries, particularly the least developed countries, and in countries undergoing the process of transition to market-economy;

   (c) Transfer and development of environmentally sound technologies

   (The discussion will continue on the basis of country case studies and other relevant reports.)

3. Other business

4. Adoption of the final report of the Working Group to the Trade and Development Board.

D. Other business

(Agenda item 3)

27. There were no points raised under this agenda item in the course of the session.

E. Adoption of the report of the third session of the Working Group to the Trade and Development Board

28. At its closing plenary meeting, on 25 March 1994, the Ad Hoc Working Group adopted the draft report of its third session (TD/B/WG.5/L.8) and authorized the Rapporteur to complete the text taking into account the proceedings of the closing plenary.

Annex

MEMBERSHIP AND ATTENDANCE a/

1. The following States members of UNCTAD, members of the Ad hoc Working Group, were represented at the session:

Algeria
Argentina
Austria
Bangladesh
Brazil
Chile
China
Colombia
Cuba
Democratic People's Republic of Korea
Denmark
Egypt
Finland
France
Germany
Greece
Hungary
Indonesia
Italy
Japan
Libyan Arab Jamahiriya
Mexico
Morocco
Myanmar
Netherlands
Nigeria
Norway
Philippines
Poland
Republic of Korea
Romania
Russian Federation
Senegal
Spain
Sweden
Switzerland
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Venezuela
Zambia

2. The following other States members of UNCTAD, not members of the Ad Hoc Working Group, were represented as observers at the session:

Australia
Bolivia
Bulgaria
Ecuador
Ethiopia
India
Ireland
Jamaica
Madagascar
Malaysia
Namibia
Nepal
Panama
Paraguay
Portugal
Qatar
Sri Lanka
Thailand

3. Economic Commission for Europe; Economic and Social Commission for Asia and the Pacific; Economic Commission for Africa were represented at the session. International Trade Centre UNCTAD-GATT was also represented at the session.

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a/ For the list of participants, see TD/B/WG.5/INF.3.

4. The following specialized and related agencies were represented at the session:

International Labour Organisation
United Nations Educational, Scientific and Cultural Organization
World Health Organization
International Monetary Fund
United Nations Industrial Development Organization

The General Agreement on Tariffs and Trade was also represented at the session.

5. The following intergovernmental organizations were represented at the session:

European Union
International Centre for Public Enterprises in Developing Countries
Organization of African Unity

6. The following non-governmental organizations were represented at the session:

General Category

International Chamber of Commerce
Latin American and Caribbean Free Zone Association
World Assembly of Small and Medium Enterprises
World Federation of United Nations Associations

7. The following panellists participated in the session:

Mr. Emerson KAPAZ, Brazil
Mr. Strive MASIYIWA, Zimbabwe
Mr. Herman MONTENEGRO, Philippines
Mr. John MORTON, United Kingdom
Mr. Roger SHORT, United Kingdom
Mr. Hari Shankar SINGHANIA, France

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